

**GRAY NOTEBOOK PRESENTATION:
HIGHWAY CONSTRUCTION PROGRAM DELIVERY REPORT**

BRIEFING PAPER

Prepared for the
MAY 2003 TRANSPORTATION COMMISSION MEETING

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Reviewed by: Rick Smith, Director, Planning and Capital Programs Management
Approved by: John Conrad, Assistant Secretary, Engineering & Regional Operations

PURPOSE:

Provide the Commission with a status report on the delivery of the Highway Construction Program for the month of March 2003 and for the first seven quarters of the 2001-2003 biennium and on the steps now being taken to monitor, manage, and control spending through the remainder of the biennium.

ACTION/OUTCOME:

Information and discussion only. No formal action is expected or required.

BACKGROUND:

The Highway Construction Program is the largest single component of the two-year Transportation Department budget. For the 01-03 biennium, the total size of the program is approximately \$ 1.4 billion.

At any given time, spending will be taking place in this program on one phase or another (preliminary engineering, right of way acquisition, or construction) for several hundred projects. The budget is based on projections of total cash flows for the projects taken together.

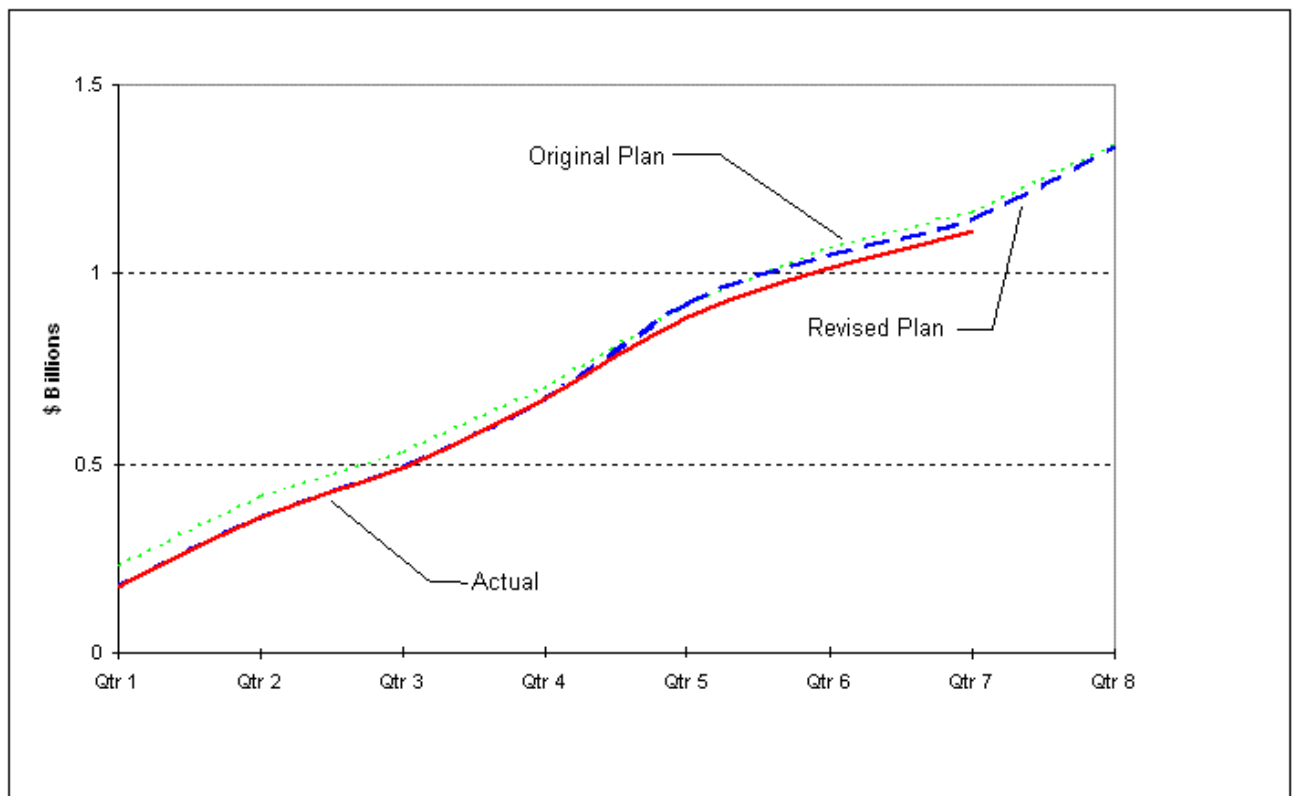
Program cash flows depend on many factors. One of the most important is the department's success in advertising and awarding projects in accordance with its projections. Other factors include changes to the program brought about by supplemental budgets or budget reductions that were put in place last spring.

The pace of expenditures on particular contracts can also depend on everything from weather to change order volumes. Spending is obviously heavier in the summer months when construction activity is at a peak, but many activities are carried on through out the year.

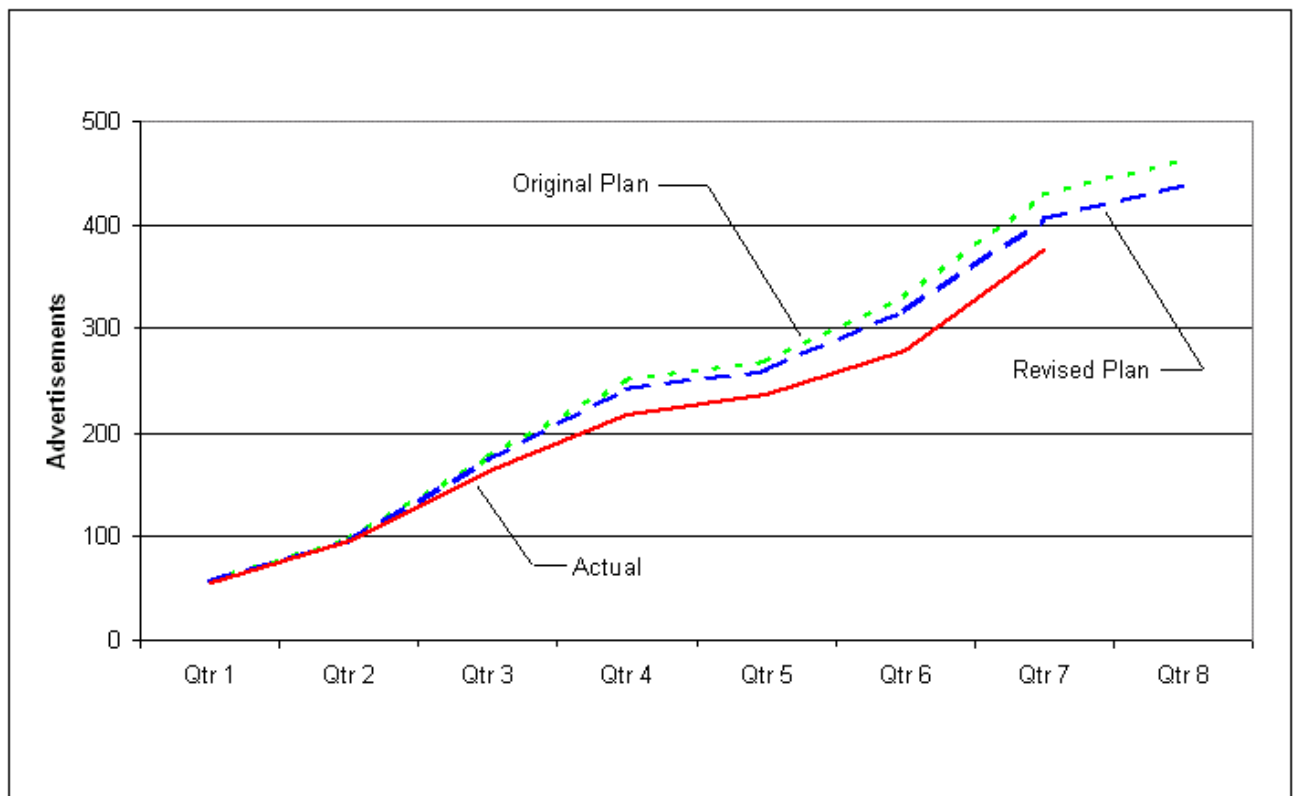
DISCUSSION:

This briefing paper will report on program delivery through March 2003. This report will utilize two primary measures to evaluate program delivery. These measures are Cash Flow and Projects to Advertisement. Graphs representing these measures are shown below:

Quarter-by-Quarter Progress of Highway Construction Fund Expenditures
2001-2003



Quarter-by-Quarter Progress of Highway Construction Project Advertisements
2001-2003



Please note that both graphs include a revised plan line. This revision reflects the supplemental budget reductions passed by the Legislature.

Cash Flow

Expenditures through the quarter ending March 31, 2003, are on target, achieving approximately 97% of budgeted cash flow. Historically, WSDOT's cash flow for this program is 92% to 95% of budgeted cash flow. The expenditure rate now slightly exceeds historical levels and reflects the high delivery rate of projects to advertisement in the highway improvement program.

The Improvement Program is driving the current expenditure levels. Specifically, the Mobility Improvements, Safety Improvements, and Economic Initiatives subprograms have seen aggressive spending levels through the first seven quarters of the biennium. It is also important to point out that the Roadway Preservation Program is currently spending at historical rates. Expenditures rates for each of the sub-programs are shown in Attachment A.

The reasons for the considerably more aggressive expenditure levels witnessed to date in 2001-2003 include:

- A Highway Construction Program that included a large number of new construction starts in Spring 2001. While these projects were actually started in the last quarter of the 1999-2001 biennium, this work has driven expenditures levels in the current biennium.
- The Department's diligence and attention to getting projects to advertisement. This has been an important management focus and has been tracked throughout the year in the quarterly Gray Notebook reports.
- Activity in the regions, often with direct encouragement and support of customer communities, in moving projects "to ad" given the prospects for project deferrals or cancellation in a period of expected budgetary stringency.
- Favorable construction weather, encouraging contractors to speed their work.

Projects to Advertisement

For the biennium to date, WSDOT has advertised 376 projects against an original schedule of 429 projects. WSDOT is meeting the planned advertisement date on over 92% of the projects that are being advertised for bids.

A total of 40 projects that were scheduled for advertisement this quarter were either deferred to a later date or deleted from the program. Attachment B provides a breakdown of the projects that were deferred or deleted this quarter. This attachment also provides the reason why the project did not meet the scheduled advertisement date.

The expenditure rates experienced to date along with the delivery rate of bringing projects to advertisement are a positive indication of the Department's project delivery progress in the current biennium.

Careful attention and management will be required, however, so that the year-end expenditure level will not exceed budget allocations at the close of the biennium. There will be little room for error or miscalculation.

RECOMMENDATION:

None. Information and discussion only. No formal action is expected or required.

For further information, contact John Conrad, Assistant Secretary for Engineering and Regional Operations, 360 705-7032. The principal assistance and support on headquarters staff to Mr. Conrad on these issues is provided by Rick Smith, Director, Planning and Capital Programs Management 360-705-7150 and Harold White, Manager, Program Delivery (360) 705-7130.

ATTACHMENT A

The following tables show the specific program areas of spending in the Highway Construction Program and their expenditure status after seven quarters of the 01-03 biennium.

HIGHWAY CONSTRUCTION IMPROVEMENT PROGRAMS

Progress Through March 2003
Dollars in Millions

PROGRAMS	CURRENT ALLOCATIONS	BIENNIAL EXPENDITURES TO DATE	PERCENT OF ALLOCATION EXPENDED
I1 - MOBILITY IMPROVEMENTS	490.9	433.2	88%
I2 - SAFETY IMPROVEMENTS	134.0	118.7	89%
I3 - ECONOMIC INITIATIVES	127.5	112.2	88%
I4 - ENVIRONMENTAL RETROFIT	23.1	18.4	80%
Totals	775.5	682.5	88%

HIGHWAY CONSTRUCTION PRESERVATION PROGRAMS

Progress Through March 2003
Dollars in Millions

PROGRAMS	CURRENT ALLOCATIONS	BIENNIAL EXPENDITURES TO DATE	PERCENT OF ALLOCATION EXPENDED
P1 - ROADWAY PRESERVATION	270.2	221.4	82%
P2 - STRUCTURES PRESERVATION	173.2	130.1	75%
P3 - OTHER FACILITIES	113.0	77.1	68%
Totals	556.4	428.6	77%